



## G5 Construction Materials

*“Releasing the Power of the Earth”*

*Tim Woodhead – 27 Nov 2007*

# G5 Construction Materials Portfolio?



## *Quarry Cats*

Ekurhuleni, Laezonia, Libanon, Sky Quarry (Prospecting)  
Cato, Middelburg, Sasol (X), Letseng, Kathu, Burk Mine, Kumba

*% of  
Turnover*

45



## *Afrimix*

Chloorkop, Jet Park, Benoni, Selby, Honeydew, Blue Hills  
Wynberg (?)  
Go Crete – Sunderland, Silverton (Effective 1 Dec 07)

43



## *Sky Sand*

Conversion being prepared on existing right (450ha)  
Prospecting permit (450ha)

9

## *Bernoberg Millings*

Vanderbijlpark  
Option on Newcastle

3

# *What do we focus on?*

## Construction Materials SBU:

- Businesses concerned with mining, crushing, milling, aggregates, powders and readymix concrete
  - Services to the mining and smelting sectors
  - Commodities used in concrete product manufacturing and construction
  - Supplying directly into the high growth construction and mining sectors
- ✓ All production processes easily adaptable for residential, or commercial, or infrastructure demand cycles
  - ✓ Services, assets and know-how transferable between construction and mining sectors



# *The first part of the strategy is?*

- ↳ To position as a significant player in the basic construction materials market for concrete in all its forms:
  - concentrating on sand and stone aggregates
  - readymix concrete
  - cement extenders
  - related logistics
  - initially in Gauteng
- ↳ To leverage our position by exploiting opportunities to manufacture concrete products:
  - in profitable niches



# *And the second part of the strategy is?*

- To utilise our know-how and capacity in quarrying and crushing to expand as a niche contractor to the mining industry:
  - furthering Group Five's capability to act as a turnkey start-up contractor and operator of mines
  - following the sustaining growth trend in the African resources sector
    - anticipated to last for decades (beyond any cyclical downturn in the South African construction materials markets)



## *And what businesses will we build organically and what should we acquire?*

- ↳ We can only build organically on existing rock and sand reserves**
- ↳ We need to acquire to expand our geographic reach**
- ↳ We target centres of big population – these markets sustain commercial aggregate and readymix supply operations**
- ↳ We can organically grow in the mining services segment**



# Competitive environment?

<i>GAUTENG</i>	Sand & Stone	Ready-mix	Extenders
Afrisam (Holcim)*	21%	33%	70%
Group Five	19%	11%	3%
Lafarge	-	25%	23%
Wearne	5%	8%	-
PPC	9%	-	-

\* Holcim's share of crushed stone >30%, vs Quarry Cats' at 16%, vs PPC at 14%



# Cyclicality of earnings?

Current expectations:

- ☒ Strong Gauteng aggregates growth to 2015, but growth rate moderating after 2010. Quarries currently operating 14 – 24 hours so shifts can be reduced for market down cycles.
- ☒ Readymix is sensitive to the property cycle, can expect some market consolidation after 2010. Roads programme will sustain volumes to 2012.
- ☒ Cement extenders – small market share primarily to support our own readymix business. Demand/prices linked to cement cycle.
- ☒ Mining services – long term contracts (2-10 years), strong opportunities in Northern Cape, following the LONG TERM GROWTH TREND for resources in Africa.



## *What levers can we pull to enhance performance?*

- Leadership and skills development
- Investment in efficient equipment, particularly load and haul plant
- Internal customers – Group Five Construction, Group Five Manufacturing
- Turning waste into product – sand classification
- Beneficiating products – drying, blending, bagging
- Entry into key coastal markets
- BEE relationships to access mining sector opportunities
- Group Five Projects' African mining sector customers



# What growth can we expect?

## *Acquisitive growth:*

- 🏗️ Quarry Cats (including Afrimix), R750m Feb 2007
- 🏗️ Sky Sand, R125m July 2007
- 🏗️ Bernoberg, R32m Oct 2007
- 🏗️ Go Crete, R14m Dec 2007
- ✓ Further acquisitions targeted for 2008 to expand reach and depth

## *Organic growth:*

- 🏗️ Concrete product manufacturing activities
- 🏗️ Joint venture initiatives with holders of mining rights
- 🏗️ Turning waste into product
- ✓ Improved Construction Materials turnover and growth in Manufacturing



## *So lets go and kick the tyres at QUARRY CATS EKURHULENI...*

- ▣ Strong operating margins at current production levels, strong cashflows
- ▣ Closest to the rapidly developing East Rand and the Airport
- ▣ Installed fixed plant capacity of 250 000 tons per month of dolomite (through two independent crushing plants)
- ▣ 40 million tons of reserves
- ▣ Current sales 160 000 tons per month
- ▣ New mining equipment gears us for 180 000 tons per month in 2008
- ▣ Road materials demand kicking in strongly in last quarter

